

*Brazil*BRAZIL: TERRORISM POSES PROBLEMS FOR FIGUEIREDO (U)

The sporadic terrorism perpetrated by hardline elements of the security forces--if it escalates or persists--will undermine President Figueiredo's authority and seriously weaken his overall political position. Figueiredo's failure to act forcefully also would encourage more terrorism and eventually could have negative repercussions on the liberalization process. (S)

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The military elements responsible for the terrorism --so far the left has not retaliated--have two objectives: to intimidate increasingly visible leftist groups; and, more importantly, to disrupt and slow down political liberalization. The hardliners question the wisdom of

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granting greater political expression at a time when record high inflation and growing unemployment could threaten social peace. They fear the elections scheduled for November 1982 will result in a resounding defeat for the administration and increase leftist influence at all levels of government. (S)

Figueiredo will face a difficult and potentially crucial decision if the terrorism continues. An attempt to discipline military personnel--other than at the lowest levels--would entail substantial risks, even if handled delicately and quietly. The President could very well upset military unity and support for his government, a prospect that likely precludes admission of official involvement in the terrorism. (S)

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On the other hand, if Figueiredo tolerates more violence and accepts a continuing coverup of military involvement, suspicions will grow that he lacks the authority to act or that he condones the actions. His political position and credibility among key politicians and interest groups, as well as with the public at large, would suffer irreparable damage. Doubts about his ability to carry out the liberalization process would proliferate, despite his assurances and the positive steps he has already taken. (S)

Unless serious acts of terrorism stop--an unlikely prospect in view of Brasilia's inaction--Figueiredo eventually could face a political crisis. The President's overriding priority of preserving his military support at all costs can lead to a dangerous deterioration of civilian-government relations, with negative implications for the political opening. (S)

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USSR-BRAZIL: MOSCOW'S POLICY TOWARD BRAZIL (U)

Over the past year and a half, Moscow has actively sought to broaden its relations with Brazil. This relationship--while primarily motivated by mutual economic interests--also reflects Moscow's recognition of the important political benefits of a close relationship with the largest and most populous Latin American power. The Soviets see this relationship as a useful symbol of Moscow's acceptance in Latin America--of particular significance at a time when several Latin American states are trying to diversify their foreign ties and display their independence from the United States. (C)

In its efforts to cultivate Brazil--and despite Brazil's anti-Communist orientation--Moscow has emphasized and capitalized on certain affinities in Soviet and Brazilian foreign policy. Brazil's pragmatism and nonideological posture sometimes coincide with Soviet positions, particularly with regard to the United States. For example, Brazil refused to back the US grain embargo and did not support US efforts to isolate Iran during the hostage crisis. Although Brazil voted against the USSR in the UN votes on the Afghan issue, it did not join the US-sponsored Olympic boycott following the Soviet intervention in Afghanistan. (C)

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Bilateral Ties: A Predominantly Economic Thrust

Soviet interest in Brazil is largely motivated by economic concerns. In recent years, Moscow has imported increasing amounts of agricultural products--mainly soybeans and sugar--from Brazil. The partial US boycott of such goods to Soviet markets in early 1980 gave additional impetus to this trend. (C)

Brasilia, although optimistic about increased trade possibilities with the Soviet Union, is still cautious in its dealings with the Soviets and has not hastily embraced the numerous proposals put forth by the USSR.

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In tandem with its efforts to expand economic ties, Moscow has sought to cultivate political relations with Brazil. The Soviets were pleased by Brazil's decision to abstain from the US grain embargo and its subsequent participation in the Moscow Olympics. Moscow seemed to take extra care to demonstrate to the Brazilians the importance it attached to a positive bilateral relationship. In April, Soviet Foreign Minister Gromyko personally met the new incoming Brazilian Ambassador--a function usually performed by a deputy foreign minister. Later that month Georgian party chief Shevardnadze, a candidate Politburo member, went to Brazil and delivered an invitation--subsequently accepted--from Brezhnev to President Figueiredo to visit the USSR. Brezhnev later sent an extremely warm congratulatory note to Figueiredo on Brazil's national day in September. (C)

The most significant evidence of Soviet interest in Brazil was the decision to sell oil in the fall of

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1980--a time when Moscow was cutting back on its sales to non-Communist countries. The Soviets, who had previously rebuffed Brazilian requests for oil, probably viewed the disruption of Iraqi oil shipments to Brazil as an opportunity to ingratiate themselves with the Brazilians. (e)

Despite these friendly Soviet gestures, President Figueiredo has been hesitant to carry out his "agreement in principle" to visit the USSR. He visited West Germany earlier this month, but did not stop over in Moscow. Brazil has delayed also in responding to some of Moscow's economic proposals--for example, the Soviet offers on oil exploration, and aid and technology for nuclear energy projects. While this particular case reflects Brazil's general sensitivity to a foreign role in the energy sector, it also points to a residual distrust of the Soviets by the military and some elements of the government. (S)

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Outlook

The climate for Soviet-Brazilian cooperation is the best it has been in many years and both sides are inclined to develop relations further. At a minimum, there will be an expansion of economic and technical cooperation. If Moscow continues to develop a responsible image in its dealings with Brazil, Soviet efforts to cultivate closer ties with other major Latin American states will be facilitated. (C)

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